

Message Text

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PAGE 01 STATE 035785

42

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TREASURY:JGRIFFIN

CIEP:JNIEHUSS (DRAFT)

COMMERCE:DARRILL (DRAFT)

NEA/RA:HDMONTGOMERY (DRAFT)

E:RMORRIS (DRAFT)

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C O N F I D E N T I A L STATE 035785

E.O. 11652: GDS

TAGS: EINV, US, OECD

SUBJECT: GUIDANCE FOR OECD XCSS INFORMAL RESTRICTED

GROUP MEETING: OPEC INVESTMENT ISSUES

FOR ROBINSON

1. FOLLOWING IS POSITION PAPER FOR SUBJECT MEETING:

2. THE OBJECTIVES OF THE UNITED STATES PARTICIPATION IN
XCSS DISCUSSIONS OF INTERNATIONAL INVESTMENT ISSUES HAVE
BEEN TO:

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 035785

-- SEEK TO ASSURE THAT POLICIES ADOPTED BY OECD COUNTRIES
IN DEALING WITH THESE ISSUES ARE NOT MUTUALLY INCOMPATIBLE;
AND

-- STIMULATE CONTINUING PROGRESS TOWARD LIBERALIZATION OF
INTERNATIONAL INVESTMENT FLOWS IN THE OECD AREA.

3. THESE EFFORTS AS WELL AS DETAILED OECD CONSIDERATION OF
THE SPECIAL PROBLEMS POSED BY THE PROSPECT OF SUBSTANTIAL
LONG-TERM INVESTMENTS BY THE OIL EXPORTING COUNTRIES WILL
BE FOR THE MOST PART TURNED OVER TO THE NEW OECD INVESTMENT
COMMITTEE. NEVERTHELESS, IT IS CERTAIN THAT THE SUBJECT
OF INWARD INVESTMENT POLICY WILL BE RAISED IN THE RESTRICTED
GROUP MEETING, ESPECIALLY SINCE SEVERAL OECD COUNTRIES
(MOST PROMINENTLY, GERMANY AND THE U.S.) ARE KNOWN TO BE

REVIEWING THEIR PRESENT POLICIES ON THIS ISSUE. U.S.
COMMENTS ON INWARD INVESTMENT AT THIS MEETING WILL HAVE
TO BE PHRASED IN GENERAL TERMS AS OUR INWARD INVESTMENT
POLICY REVIEW HAS NOT YET BEEN COMPLETED, AND SHOULD
EMPHASIZE OUR CONTINUED COMMITMENT TO THE ABOVE-MENTIONED
OBJECTIVES. OUR REVIEW OF INWARD INVESTMENT POLICY IS
DUE TO BE COMPLETED BEFORE THE INVESTMENT COMMITTEE
EVER MEETS. WE NEED TO KEEP IN MIND, THEREFORE, THAT
SOME PARTICIPANTS IN THE RESTRICTED GROUP MEETING WILL
PROBABLY FEEL THAT THEIR COMMENTS CONCERNING INWARD
INVESTMENT ISSUES WOULD BE TAKEN INTO CONSIDERATION IN
OUR OWN DELIBERATIONS.

4. UNCOORDINATED OECD INVESTMENT POLICIES COULD PRODUCE
A SNOWBALL EFFECT IN WHICH NEW RESTRICTIONS ON OPEC
INVESTMENT BY ONE OECD COUNTRY COULD DIVERT SUBSTANTIAL
AMOUNTS OF THESE FUNDS TO ANOTHER COUNTRY, WHICH IN TURN
MIGHT FEEL FORCED TO ADOPT TIGHTER RESTRICTIONS. THE
RESULT COULD LEAVE THE GENERAL LEVEL OF OECD INWARD
INVESTMENT RESTRICTIONS UNDESIRABLY HIGH AND JEOPARDIZE
FURTHER EFFORTS AT LIBERALIZATION IN CONNECTION WITH
THE OECD EXERCISE ON INTERNATIONAL INVESTMENT AND MULTI-
NATIONAL ENTERPRISES.

5. THE BUREAUCRATIC ISSUE OF HOW WORK ON OIL PRODUCER
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PAGE 03 STATE 035785

INVESTMENT IS TO BE DIVIDED AMONG THE SEVERAL
INTERESTED GROUPS IN THE OECD AND IEA HAS ALREADY BEEN
PARTIALLY RESOLVED. DURING ITS FEBRUARY 5-7 MEETING,
THE IEA GOVERNING BOARD ESTABLISHED AN AD HOC WORKING
GROUP ON FINANCIAL AND INVESTMENT ISSUES CHAIRED BY
GERRY PARSKY TO COORDINATE WORK ON, INTER ALIA, THE
ISSUE OF OPEC INVESTMENT IN DEVELOPED COUNTRIES AS IT
BEARS ON THE PRODUCER-CONSUMER DIALOGUE. THE TERMS OF

REFERENCE OF THE AD HOC GROUP STATE THAT IT:

-- SHALL SERVE AS A COORDINATING BODY FOR ALL FINANCIAL ISSUES RELEVANT TO THE CONSUMER-PRODUCER DIALOGUE;

-- WILL NOT ATTEMPT TO DUPLICATE BASIC ANALYTICAL WORK BEING DONE IN OTHER BODIES, AND INSTEAD WILL DRAW ON THE WORK OF OTHER BODIES AND BE RESPONSIBLE FOR PREPARING POSITIONS ON FINANCIAL ISSUES FOR THE GOVERNING BOARD AND FOR USE BY THE STANDING GROUP ON PRODUCER-CONSUMER RELATIONS.

6. THE RESTRICTED GROUP SHOULD FOCUS ON THE INTERNAL DIVISION OF LABOR WITHIN THE OECD. RELEVANT HERE ARE THE NEW INVESTMENT COMMITTEE, TO BE CHAIRED BY FRAU STEEG, SCHEDULED TO MEET FOR THE FIRST TIME MARCH 3-4; THE AD

HOC GROUP HEADED BY VAN YPERSELE CURRENTLY DEVELOPING THE SOLIDARITY FUND AGREEMENT; AND THE XCSS ITSELF. OECD SECRETARY-GENERAL VAN LENNEP HAS ALREADY PROPOSED A DIVISION OF RESPONSIBILITIES, WHICH WAS NOTED WITHOUT OBJECTION BY THE OECD COUNCIL. HE SUGGESTS THAT:

-- THE INVESTMENT COMMITTEE BE GIVEN RESPONSIBILITY FOR DEVELOPING POLICIES ON QUESTIONS REGARDING REGULATORY TREATMENT OF INVESTMENT BY OPEC COUNTRIES IN THE OECD AREA.

-- THE VAN YPERSELE AD HOC GROUP UNDERTAKE ANALYSIS AND DEVELOPMENT OF POSSIBLE PROPOSALS RELATING TO OPEC INVESTMENT WHICH ARE LINKED WITH MONETARY AND RECYCLING QUESTIONS (PARTICULARLY INCLUDING POSSIBLE COOPERATIVE INVESTMENT FUND OR OTHER NEW INVESTMENT VEHICLE). THIS CONFIDENTIAL

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PAGE 04 STATE 035785

WORK IS TO BEGIN WHEN IT IS DETERMINED THAT WORK ON THE SOLIDARITY FUND IS COMPLETED.

-- THE POSSIBILITY BE LEFT OPEN FOR POLITICAL DISCUSSION OF OPEC INVESTMENT ISSUES BY THOSE WHO WISH TO DO SO IN THE XCSS PLENARY (NEXT ONE TENTATIVELY SCHEDULED FOR MARCH 11-12).

TALKING POINTS:

-- USG CONSIDERS IT USEFUL AND IMPORTANT TO HAVE DISCUSSION OF INVESTMENT ISSUES IN THE OECD.

-- IN OUR VIEW, THE MAIN PURPOSE OF THE DISCUSSION IN THE XCSS RESTRICTED GROUP IS TO CONSOLIDATE PROGRESS MADE IN DEVELOPING AGREEMENTS ON HANDLING DISCUSSION OF INVEST-

MENT ISSUES IN THE OECD. WE WOULD ENVISAGE PROCEDURES
ALONG THE FOLLOWING LINES:

A. THE INVESTMENT COMMITTEE WILL CONSIDER BASIC POLICY OF
OECD COUNTRIES TOWARD ACCEPTANCE OF OPEC MONIES.

B. THE VAN YPERSELE GROUP, AFTER WINDING UP ITS WORK ON
THE SOLIDARITY FUND, WILL HANDLE BROAD MONETARY AND
FINANCIAL QUESTIONS SPECIFICALLY INCLUDING QUESTIONS
CONCERNING THE ESTABLISHMENT OF ADDITIONAL INSTITUTIONS
FOR INVESTING OPEC MONIES.

C. (IF THE QUESTION OF PLENARY XCSS DISCUSSION OF OPEC
INVESTMENT IS RAISED, YOU SHOULD INDICATE THAT WE HAVE
NOT REACHED ANY DEFINITIVE VIEWS ON SUCH DISCUSSION.)

D. THE IEA AD HOC GROUP ON FINANCIAL AND INVESTMENT

ISSUES (GFII) WILL BE RESPONSIBLE FOR ENSURING THAT ALL
ASPECTS OF PREPARATION IN THIS AREA FOR THE P/C CONFERENCE
ARE APPROPRIATELY COVERED AND POSITIONS COORDINATED WITH
OTHER ASPECTS OF PRODUCER-CONSUMER PREPARATIONS.

-- YOU WILL ALSO WISH TO ADVISE THE GROUP THAT U.S. IS
CURRENTLY REVIEWING OUR OWN POLICIES TOWARD OPEC
INVESTMENT AND THAT WE HOPE TO HAVE THIS REVIEW COMPLETED
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PAGE 05 STATE 035785

IN THE NEAR FUTURE.

-- THE UNITED STATES HOPES THAT OECD MEMBERS WILL
UNDERTAKE TO CONSULT WITH ONE ANOTHER WITHIN THE OECD
FRAMEWORK CONCERNING OPEC INVESTMENT. INGERSOLL

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